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ABSTRACT

This study used data from a cross sectional sample of families with children in New York City to describe the characteristics and well-being of working poor families and to compare them to nonworking poor and nonpoor families. Data were obtained through 20- to 30-minute telephone surveys conducted in 1997 as part of the New York Social Indicators Survey with a random sample of 2,224 households in New York City and the surrounding Standard Metropolitan Statistical Area. The findings indicated that while working poor families were doing somewhat better than nonworking poor families, they continued to experience substantial levels of material hardship. Working poor families were also much less likely than nonworking poor families to receive food, housing, or health insurance assistance from the government. As welfare reform transforms the "welfare poor" into the "working poor," families may find themselves only marginally better off in terms of financial security and material well-being. Based on findings, it was concluded that policies to raise the floor under earnings and to increase the availability of other assistance could provide critical support for families who go to work but do not earn enough to escape poverty. (Contains 30 references.) (KB)

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Working But Poor: How Are Families Faring?

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ABSTRACT

In this paper we use data from a cross sectional sample of families with children in New York City to describe the characteristics and well-being of working-poor families, and to compare them to non-poor and non-working poor families. We find that while working-poor families were doing somewhat better than non-working poor families, they continued to experience substantial levels of material hardship. Working-poor families were also much less likely than non-working poor families to receive food, housing, or health insurance assistance from government. As welfare reform transforms the "welfare poor" into the "working poor," families may find themselves only marginally better off in terms of financial security and material well-being. Policies to raise the floor under earnings and increase the availability of other assistance could provide critical support for families who go to work but do not earn enough to escape poverty.

INTRODUCTION

Public and political attention have been fixed in recent years on poor welfare recipients. Families who rely instead on very low earnings, the "working poor," have received less attention. The relative invisibility of families who struggle at the margins of self-sufficiency is a serious concern, for social workers, for children and family service providers, and for society more generally.

The circumstances and needs of these working poor families are taking on even greater urgency in the wake of welfare reform. The underlying assumption of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 was that families would be better off if they achieved self-sufficiency outside the welfare system. Similar assumptions have motivated other policy reforms designed to expand support for the working poor, such as the Earned Income Tax Credit (EITC) and the Child Care and Development Block Grant. There is no question that families are leaving the welfare rolls in record numbers. What we know so far about their circumstances after leaving the rolls suggests that while the majority obtain some form of employment, and work a substantial number of hours, this employment is often at very low wages and highly volatile. These families have moved, in other words, from the welfare to the working poor. We still know relatively little about how the growing number of working poor families are faring and whether anticipated government support has actually materialized.

In this paper we use data from a sample of families with children in New York City to describe the characteristics and well-being of working poor families, and to compare their circumstances to both the non-poor and the non-working poor. These

findings have implications both for service providers who support such families, and for public officials who design policies to assist families who, despite considerable work effort, continue to experience substantial financial insecurity.

BACKGROUND AND REVIEW OF RESEARCH

Defining the Working Poor

The broadest definition of the working poor includes all persons with poverty level incomes and earned income, whether from full- or part-time work, year-round or part-year (Blank & London 1995; Levitan & Shapiro 1987). A time dimension is attached by the Bureau of Labor Statistics (BLS), which defines the working poor as those who devote at least half a year to labor market efforts (employment or job searching) but still live in poor families (Gardner & Herz, 1992; Klein & Rones, 1989).

Individual-level definitions of the working poor are useful for estimating the number and characteristics of low earners in the workforce. Because they fail to adjust for differences in economic need at the family level, however, they do not provide the best definition for measuring the impact of low earnings. Researchers at Child Trends (Wertheimer, 1999) and others have developed family-level definitions that reflects both differences in need and differences in the availability of adults for labor market activities. Considering only families with children, they define working poor families as those with incomes below the poverty line in which single parents work at least 20 hours per week or adults in two-parent families work a combined total of at least 35 hours per week. This translates into an annual total of 1040 hours for single-parent families and 1820 hours for two-parent families. This definition is also consistent with the required work standard for

Temporary Assistance for Needy Families (TANF) recipients that was imposed by the 1996 PRWORA.

Measuring the Working-Poor Population

Although definitions of the working poor vary, there is considerable agreement about the size and growth of the working poor population. In 1996, one in five workers, or 7.4 million persons, were classified as working poor because they spent at least 27 weeks in the labor force (working or looking for work) but had incomes below the official poverty threshold (BLS 1997). Close to three percent of all *full time* workers were poor, representing a total related population – including dependents – of five million people (Barrington 2000).

The working poor have grown in both numbers and as a share of full time workers for two decades (Barrington 2000). Since the mid-1970s, long-term economic growth in the U.S. economy has had little impact on poverty among the fully employed. The robust economy of the 1990s has likewise failed to reach the lowest earners. For example, between 1997 and 1998, the poverty rate grew from 2.5 to 2.9 percent among full-time, year-round workers. This increase—of 459,000 full-time workers living below poverty—is the largest one on record (Center for Budget & Policy Priorities 1999).

The increase in workers with poverty level earnings has important consequences for families. An estimated 2.7 million children (19 percent of all poor children) live in a family with income below the poverty line, even though there is a full-time, full-year worker present (Wertheimer, 1999). For younger children, the prospects of poverty are even worse. The National Center for Children in Poverty reports a 20 percent increase

since 1993 in the proportion of poor young children (under six years of age) living in working families (Bennett, Li, Song, & Yang, 1999).

Characteristics of Working Poor

For a large proportion of working-poor families, poverty is not the result of low work effort. Nearly 4.1 million families lived below the poverty level in 1996, despite having at least one member in the labor market for 27 weeks or more. The majority of the working poor (58 percent) usually worked full-time (BLS, 1997).

The poverty of working poor families is associated most strongly with low earnings and high levels of family need. The majority of working poor families are married. Their situation is influenced primarily by family size (more working poor have children than the non-poor), number of workers, and characteristics of earners. Low education is the single strongest predictor of low earnings and poverty (Klein & Rones, 1989; Gardner & Herz, 1992; Kasarda, 1995; Wertheimer, 1999). Adults who are younger, who are non-white, and who are female also have a higher risk of low earnings and poverty (Gardner & Herz, 1992; Kasarda, 1995; Klein & Rones, 1989; McNeil, 1992; National Council of Welfare, 1978).

Much of the dilemma for working-poor families can be traced to the low-wage job markets in which they participate, in which jobs provide few employment benefits, little chance for job promotion, involuntary part-time work, and limited job security (Kim & Mergoupis, 1997; Levitan & Shapiro, 1987; Ellwood 1999). Even as more of the poor went to work in the 1980s and 1990s, for example, poverty rose, in part, because of macroeconomic shifts that transformed the U.S. economy and increased the size of the low-wage, service sector (Lichter 1997). Low-skilled, low-productivity and low-wage

jobs increased between 1965 and 1998 (Barrington 2000). This has provided new employment opportunities for low skilled workers, but in jobs that do not guarantee a living wage. As Lichter (1997) summarizes, "Child poverty is less a problem of work than of finding work that pays a nonpoverty wage."

Government Assistance for the Working Poor

The passage of the PRWORA in 1996 ushered in a new era of public policy regarding the welfare and working poor. Since 1996, welfare has ceased to be an entitlement, and work tests have been sharply increased for adults who remain on the welfare rolls. At the same time, other public policies are providing more support to poor families outside the welfare system. The Earned Income Tax Credit was raised in 1993, and funding for child care subsidies expanded substantially between the late 1980s and 1990s. The federal Medicaid and Child Health Insurance Programs have also expanded, raising the eligibility threshold in order to include many more poor families. Ellwood (1999) estimates that, considering all these benefit changes, by 1997 a non-working mother would have qualified for only $7,500 in benefits while a similar mother working full-time for minimum wage would have had a net income of $14,600, and would have maintained her Medicaid eligibility.

Despite the expansion of some forms of assistance, there is evidence that working-poor families may have difficulties accessing government services. This gap may be particularly problematic for services, such as child care and health insurance, that are related to employment stability. Hofferth (1995) has documented that working poor families pay a larger share of their income for child care than either more affluent families or those who are out of the workforce. Seccombe and Amey (1995) and others

have also documented lower levels of health insurance coverage among the working poor. The loss or lack of these services for the working poor led ethnographers Edin and Lein (1997) to conclude that, for low-skilled single mothers, the financial benefits of going to work are slim. They conclude from their studies of welfare- and wage-reliant women that, in contrast to women receiving welfare, those working for low wages incur additional work-related expenses and lose valuable government benefits. The net result is higher levels of material hardship in the families headed by wage-reliant mothers.

Although public policies have moved in the direction of providing more support for working poor families since the mid-1990s, there is disquieting evidence that these benefits are still reaching only a small fraction of those in need. The U.S. Department of Health and Human Services (1999) estimates that only 10 percent of families eligible for federal child care assistance received it in 1998. These findings are echoed by Loprest (1999) and Schumacher and Greenberg (1999) who find that among former welfare recipients, many who had left welfare for work, few used child care and even fewer received help with child care expenses. Other analysts have documented declines in Food Stamp participation (Zedlewski & Brauner 1999) and in Medicaid coverage (Ku & Bruen, 2000) that have been steeper than the declines in poverty since the passage of the 1996 federal welfare reforms. Analysts who have estimated the extent to which existing Unemployment Insurance programs provide a safety net for these workers provide similarly discouraging results. By one estimate, only about one-third of low-skilled men who had recently been separated from a job, and even fewer low-skilled female workers, met all the conditions for receiving Unemployment Insurance (Ellwood 1999).

RESEARCH QUESTIONS

Social and economic data suggest that the number of families who could be considered "working poor" is large and probably growing. Given reductions in welfare and related government support, the depth of their economic hardship may be growing as well. Relatively little is known, however, about how these families are faring in terms of their accumulation of assets, their living conditions, or their receipt of government assistance.

This study uses data from a sample of New York City families to describe the characteristics and circumstances of three groups of families with children: poor families with no earnings (*non-working poor*), families who have earnings but remain poor (*working poor*), and families with above-poverty incomes (*non-poor*). We use these comparisons to answer several questions: Who are the working poor? How do working-poor families compare to other families in their accumulation of assets and in their economic circumstances? What are the living conditions of the working poor? And how much assistance from the government do the working poor receive, in comparison to other families?

METHODS

Sample and Data Source

Data for this study were obtained through telephone surveys conducted in 1997 as part of the New York Social Indicators Survey (NYSIS) with a random sample of households in New York City and the surrounding Standard Metropolitan Statistical Area (SMSA). A total of 2224 households were selected using random digit dialing (RDD)

techniques and given a 20 to 30 minute interview. The sample was designed to be representative of all families in New York City and the surrounding SMSA. Observations were weighted to represent this population using data from the Current Population Survey.

Although every effort was made to obtain a representative sample, the final sample differed from population estimates on some dimensions. We used statistical methods to reweight the final sample and correct for potential sampling biases. Most importantly, we corrected for the under-representation of households that do not have regular phone service by using data from sample respondents who had intermittent phone service. Other biases, including disproportionate participation by more highly educated respondents, were corrected using post-stratification weights based on Census data. Some limitations in the representativeness of the sample could not be overcome. Most notable is the exclusion of individuals who could not be interviewed in English or Spanish.

Of 12,755 telephone numbers in the sampling frame, 8,572 (67 percent) were contacted and determined to be valid household numbers; of these, 2,949 (34 percent) were found to meet eligibility requirements for participation (based on family structure, language and residence); of these, 1,503 (51 percent) were successfully interviewed. Although nonresponse may cause some unmeasured biases in the final sample, once the data are weighted, the sample very closely approximates Census data for the city on major demographic and economic characteristics.

Definitions used in this sample differ from those of other national datasets, most notably the Census, in two important respects. First, we consider respondents to be

partnered whether or not they are legally married to their domestic partners. Estimates from the NYSIS may therefore show higher rates of two-adult and two-parent families than estimates based on other definitions. Second, we count all individuals in our survey as part of a family. Individuals without partners or resident children are treated as a "family of one" even if they are sharing a residence with other non-nuclear family members (such as adult children) or non-related adults (such as roommates). This definition differs from that used in many statistics based on Census data, such as the poverty rate, where households are defined by all the adults and children who share a residence and are related by blood or marriage. For extended families sharing a residence, the NYSIS definition does not assume shared resources. Our unit of analysis therefore will count fewer resources and may produce higher estimates of financial hardship for these families. Although these definitional choices limit the comparability of the data to other sources, we believe they provide a more accurate measure of an "economic" family unit in which adults and families can be assumed to share resources.

Analysis Approach

We restrict the final analysis sample to families with any resident children under the age of 18 (n=1600). We begin by comparing the characteristics and current economic circumstances of families in each of three groups: non-poor, working-poor, and non-working poor families. We then turn our attention to measures of human, financial and social assets. To compare differences in material well-being, we examine dimensions such as the adequacy of families' housing and their experience with income-related crises including hunger and trouble paying utility bills or utility shut-offs. Finally, we consider the adequacy of support that the working poor receive from government by comparing

their receipt of assistance in several domains, such as child care and health care.

In calculating point estimates, data were weighted to population figures and then adjusted for possible sample design nonresponse bias. Statistical significance for each two-way comparison was calculated using a 95 percent confidence interval. Because weighting distorts standard errors, confidence intervals were calculated with an adjustment for design effects (Lu and Gelman 2000).

Measures

The Poor and the Working Poor. We define a "family" as an adult or adult couple with resident children, using the standard federal resource measure and poverty threshold. We identify families' poverty status by comparing families' pre-tax earnings and other cash income to the federal poverty threshold for the relevant family size. Although this poverty measure has been widely criticized for its failure to adjust for non-cash benefits (such as food stamps and tax credits) and necessary expenses (such as child care and medical costs) (e.g. Citro and Michaels 1995), it remains the standard indicator of income deprivation. We do diverge from the official measure by defining a family as poor if their total pre-tax income is at or below 150 percent of the federal poverty threshold. Although this differs from the threshold used in official poverty statistics, it more accurately reflects the income level that many analysts believe is necessary to maintain in order to avoid severe economic hardship (e.g. Meyers, Weissman and Garfinkel 2000).

We further define a family as "working poor" if one (or more than one) of the parents in the family had any earnings during the prior calendar year. Among the working poor we then distinguish between those with low labor force participation

(defined as a single parent working less than 1040 hours per year or two-parent couples working less than a combined total of 1820 hours) and those with high labor force participation (more than this level). We exclude from the final analysis a small number of families who were poor and whose employment status changed between the prior year and the interview date (i.e., those who were employed when interviewed but had no earnings in the prior year).

Characteristics, Well-Being and Support. The NYSIS collected data on various characteristics of families, including race/ethnicity, structure and composition. Survey respondents were also asked detailed questions about their economic circumstances including employment and other forms of cash and in-kind income. Several questions addressed assets, specifically human assets (health and disability, educational achievement), financial assets (net worth, home ownership, liquid assets), and social assets (access to small loans in an emergency). Survey responses were also used to construct a variety of measures of families' material living conditions and experience of hardship. A description of survey items/measures is provided in Appendix A.

In comparing the frequency of government assistance across poor and non-poor families, it is important to recognize that these measures do not capture the primary source of assistance for more affluent families, particularly tax benefits such as the home mortgage deduction, flexible medical and child care spending accounts, and a variety of more specialized tax provisions. Our analyses will necessarily underestimate the assistance received by non-poor families.

FINDINGS

Who Are Working Poor Families?

On several dimensions of human assets, working poor families were substantially more disadvantaged than non-poor families, and less so than poor families without employed parents (Table 1 panel 1).

<Table 1 About Here>

The association between parental education, employment and poverty is unambiguous. Parents in working-poor families had over two years less education than parents in non-poor families, and significantly more education than parents in non-working poor families (although the magnitude of the difference was much smaller). Variation in family structure was equally pronounced across the groups. Poor families had significantly more children, and younger children, than non-poor families. The most striking difference is observed in the number of parents present in the family. Only about one fifth of non-poor families were headed by a single mother, in contrast to one-third of working-poor families and nearly all non-working poor families.

The groups varied systematically on several other dimensions that relate to human capital and earning potential. Working-poor parents reported poor health and disabilities more often than non-poor families and less often than non-working poor adults (although differences were not statistically significant). In comparison to non-working poor families, they were about half as likely to be caring for a disabled child. All poor families were significantly more likely to be headed by a foreign born adult than were non-poor families, with the highest proportion observed among working-poor families.

What are the Income Resources of Working Poor Families?

By definition, families in the three groups differed in terms of employment (Table 1 panel 2). Working–poor families received a negligible share of family income from welfare or social insurance programs. Non-working poor families, in contrast, received about two-thirds of their income from welfare or SSI, and about one-quarter from social insurance programs (including Social Security, Survivor's Benefits, Disability and Unemployment Insurance). The non-poor, like the working poor, received nearly all their income from employment.

Although both non-poor and working poor families relied on earnings, hours of work were significantly lower among working poor families than among non-poor families. One or both parents in working-poor families worked 8.5 months and 1402 hours on average in the prior year, in contrast to an average of 11.5 months and 3117 hours among parent(s) in non-poor families. Although less than full-year and full-time, the average work effort of working poor families was nevertheless substantial. Their incomes were not. Among non-poor families in New York, median income was almost $58,000 annually. Among working-poor families, it was about one quarter of this amount. Although these families were still poor, their median incomes were nearly three times those of non-working poor families.

What are the Financial and Social Assets of Working Poor Families?

Poor families also reported far fewer financial assets than non-poor families (Table 1 panel 3), with working-poor families faring only somewhat better than those without a worker. Poor families, whether working or not, were rarely homeowners and significantly more likely than affluent families to have had zero or negative assets. We measured social capital by asking families if they had access to an emergency loan from

family members or friends -- small loans that might tide them over in the case of an unexpected expense or emergency. Working-poor families were significantly less likely than non-poor families to have access to loans of either size, but substantially more likely than non-working poor to have access to this form of help.

What are the Living Conditions of Working Poor Families?

Working-poor families were pulling ahead of non-working poor families in terms of work effort and income, and doing slightly better on several measures of living conditions and hardship. They were not pulling far ahead on most measures, however, and continued to experience substantial levels of distress (Table 2 panel 1).

<<Table 2 About Here >>

On several measures, the working poor were faring much worse than non-poor families and only a little better than the non-working poor. Working-poor families reported overcrowded housing and living in unsafe neighborhoods at about the same rate as non-working poor families – and two to three times more often than non-poor families. They were less likely to report hunger, difficulties paying utility bills and living bad neighborhoods, although differences were modest and not significant. Working-poor families were doing significantly better than the non-working poor on only one measure of hardship – they were less likely to be living in poor quality housing. On health insurance coverage, the working poor were doing much *worse* than the non-working poor. Non-working poor families were actually about as likely as non-poor families to lack insurance or to have had insurance interruptions in the prior year. Working poor families, in contrast, were two to three times more likely to have had family members go without medical insurance.

What Support Do Working Poor Families Receive?

High levels of economic distress and hardship observed among working-poor families may be related, in part, to a lack of supportive government assistance. In several areas of assistance, working-poor families were consistently less "advantaged" than their non-working counterparts (Table 2 panel 2).

Few families overall reported receipt of publicly subsidized child care (in a center or through vouchers) for their children under 14. As would be expected, poor families were far more likely than non-poor families to have gotten assistance. Among the poor, however, working and non-working families were about equally likely to be receiving assistance if they had children under 14, and non-working poor families were *more* likely to be getting help if they were child care users. High levels of child care assistance for the non-working poor are due, in large part, to the availability of early education programs, such as Head Start, that are allocated on the basis of income rather than parental work status. This, in conjunction with the limited availability of employment-related support, leads to the surprising result that working-poor child care users were *less* likely to have help with their child care bills than other poor child care users.

In the area of housing assistance, working-poor families were only about half as likely as non-working poor families to receive indirect help (through rent control or stabilization) or direct help (through public housing or Section 8). About one-third of working-poor families received Food Stamps, while nearly three-quarters of non-working poor received this form of assistance. Likewise, while about two-thirds of working-poor families received government assistance with health insurance through Medicaid and

other public programs, a significantly greater proportion of the non-working poor (85 percent) were covered.

How do Working Poor Families Differ?

The comparisons thus far suggest that the working poor differ from other families in important ways. There were also important differences among working poor families. In particular, we might expect that families with high labor force participation may differ in important ways from families in which adults work fewer months or hours during the year. In Tables 3-4, we compare poor families in which adult(s) had high labor force participation (adults worked at least 1820 hours in a two-parent family, or 1040 hours in a single-parent family) to those with lower labor force participation (less than this level).

Human Capital and Demographic Characteristics. Surprisingly few significant differences are observed in the characteristics of families in which parents had higher and lower levels of work effort (Table 3 panel 1). In comparison to those with lower work effort, parents with high levels of labor force participation had significantly more education, and were less likely to be disabled and more likely to be immigrants (although the differences were not statistically significant). Differences in family composition, ages and numbers of children were small and not significant.

<< Table 3 About Here >>

Income Resources. Although both groups of families received most of their income from employment, those with lower labor force participation received significantly more assistance from welfare and social insurance -- suggesting that these families may have been cycling on and off government programs during the year (Table 3 panel 2). Consistent with our construction of the groups, parents coded as having high

labor force participation worked more months of the year and over three times as many total hours. Among those coded as having high work effort, the parent (or parents) worked, on average, more than the equivalent of a full time, full year job.

Financial and Social Assets. Working poor families with high-labor force participation had modestly higher incomes than those working less; they had not accumulated significantly more financial assets however (Table 3, panel 3). Regardless of work effort, few were homeowners, many had zero or negative assets, and while most had access to small loans of $100, only about half could borrow as much as $1000 from family or friends.

Living Conditions and Financial Hardship. Differences in work effort between the two groups of families also had little bearing on their living conditions and experience of hardship (Table 4 panel 1). We observe modest and non-significant differences between poor families in which parents worked more and those in which adults worked less on measures of housing quality, neighborhood quality and safety, crime victimization, experiences of hunger or difficulties paying utility bills. The two groups of families differed significantly only in terms of health insurance coverage, and on this measure, families who worked *more* hours were *more* likely to have family members lacking insurance.

<<Table 4 About Here >>

Government Assistance. Differences in receipt of government assistance were mixed (Table 4 panel 2). Working-poor families in which parents worked more were about as likely as those in which parents worked less to have gotten help with child care and indirect housing assistance through rent control and stabilization. They were

significantly *less* likely to be receiving direct housing assistance through public housing or Section 8 vouchers, and less likely to be receiving Food Stamps and government health insurance (although differences were not statistically significant). This may reflect the mixed work and welfare status of families with lower work effort, who may have been better positioned to retain supportive assistance as they combined work and welfare or cycled between them.

SUMMARY

These comparisons provide interesting, surprising, and sometimes discouraging insights about the characteristics and circumstances of working but poor families.

Measures of human capital tell a familiar and consistent story about the accumulation of disadvantage. Parents in all poor families had lower levels of education and slightly higher levels of poor health than parents in more affluent families; education and health were better in working- poor families than in non-working ones, but about the same in families with high labor force participation than in families with fewer hours of work. These results are consistent with many other studies that find a concentration of disadvantage among the poorest families and those with the weakest labor market attachments. Educational deficits, health and disability problems are both a consequence of poverty, and a contributing factor to employment reductions and continued poverty. In the robust economy of the late 1990s, disadvantage was likely to have been especially concentrated as adults who were able to take advantage of the tight labor market did so – leaving welfare for work and low-wage work for better job opportunities.

These data are also consistent with the substantial body of research about the association between family composition and poverty. Families differed most dramatically in terms of family structure. Poor families were more likely to be headed by a single parent than non-poor families, and non-working poor families were far more likely to be headed by a single adult than working-poor families. Poor families, both working and non-working, also had more and younger children than more affluent families. Non-working poor families were also more than twice as likely as non-poor families to be caring for disabled children. Like human capital, family structure may be both a consequence of poverty, if poor women have fewer viable marriage choices and poor children are exposed to more health risks, and a contributing factor insofar as families with fewer adults, younger and less healthy children have more limited employment options.

This study provides new insights about the financial and living conditions of working poor families. Adults in working-poor families were more confident than non-working poor families that they could borrow small sums of money in an emergency. Their incomes remained very low, however, and they were no more successful than their non-working counterparts in their accumulation of financial assets. Likewise, few significant differences are observed on these dimensions between working-poor families with high and low labor force participation. This suggests that while working-poor families are joining the economic mainstream in terms of work effort, they continue to experience marginal economic security and accumulate little in the way of financial assets that could provide a "buffer" against short term financial crises.

Our findings about the living conditions and financial hardship of working poor families are even less encouraging. Working-poor families were two to three times more likely than non-poor families to have experienced distress in many living conditions, such as such as housing crowding and adequacy, neighborhood safety and quality, difficulty paying bills and securing health insurance. On some measures of severe hardship, families with a working parent appear to be faring better than other poor families; differences were most pronounced on measures of housing quality, neighborhood quality and experiences of hunger. This suggests that working poor families may be better positioned than other poor families to avoid the most severe forms of material hardship. Their levels of distress remained closer to those of the non-working poor than the non-poor, however, and on other measures -- overcrowded housing, neighborhood safety, and crime – they were no better off than their non-working counterparts. And in their health insurance coverage, working poor families and working poor families with higher work effort fared consistently worse than poor families in which parents did not work or worked fewer hours.

As a result, working poor families continued to experience notable levels of economic distress: one-third lived in overcrowded housing, one-sixth lived in housing with serious structural inadequacies, one-third described their neighborhood as unsafe, and nearly two-thirds had one or more uninsured family member at some point in the year. This may reflect the fact that, as Edin and Lein (1997) and others have found, going to work is costly. Even as parents work more and raise their incomes, they may incur new costs that limit the net improvement in their living conditions.

Continued high levels of distress and hardship among the working poor may also point to inadequacies in government assistance. The paucity of government assistance for working poor families is striking and disturbing. When we compare working- and non-working poor families on several forms of means-tested assistance, working-poor families were significantly less likely than poor families in which adults were not at work to receive child care assistance, housing assistance, food assistance and health insurance. Despite government efforts to expand assistance for the working poor, and indicators of continued financial hardship, this group of families received far less support than those who relied on social assistance and social insurance.

DISCUSSION

As Michael Hout (1997) has observed, "In the post-AFDC world, all poor families will be working poor." A sustained period of economic growth in the U.S. has created many new job opportunities. Changing social norms and public policies have both "pulled" and "pushed" many more women with young children into employment. As the economy has grown, however, it has left many workers and their families behind. An estimated 4.1 million families had employed adults but poverty level incomes in 1996; at least 1.1 million children under age six were poor despite having a parent working full time. This analysis suggests that, while these families may be faring a little better than non-working poor families in certain respects, their progress is fragile. They have a little more income and appear to be able to avoid some of the most severe forms of hardship. But they are accumulating few assets and, on other measures of living conditions, their levels of hardship remain high. Most disturbingly, their access to government assistance

is considerably worse than poor families who continue to rely on public assistance or social insurance.

This study did not capture forms of tax-based government assistance that benefit higher income families, such as tax free medical spending, child care plans, and mortgage interest deductions. Paula England and Nancy Folbre (JCPR 2000) have recently calculated that, once tax credits and other tax expenditures are taken into account, affluent families with children (those in the 31% tax bracket) receive assistance that is roughly equivalent to the amount of means-tested assistance that is available to a poor family of similar composition. Were we able to measure this form of "middle class" assistance, we might conclude that working-poor families receive less than *either* non-poor or non-working poor families.

The data for this analysis was collected in 1997, and reflects the experiences of families soon after the passage of federal welfare reform. Since that time, many more families have left welfare, and labor force participation among mothers, particularly single mothers, has risen. Although programs such as Medicaid, subsidized child care and Food Stamps have been modified to provide greater coverage for working poor families as they leave welfare, the performance of these programs has not been encouraging. In fact, a number of studies show that rates of participation in these programs are falling in the wake of welfare reforms. Due to low earnings and hours, few of these workers have access to Unemployment Insurance during temporary separations from work.

These findings have important implications for government policy. As low unemployment rates and stringent work tests for welfare propel more low income parents into the workforce, it is critical to expand support geared to working but poor families.

One challenge is to raise the floor under the wages of lower skilled workers. As Barrington (2000) has noted, the "New Economy" has produced both new jobs – and new poverty risks because "new technologies, while creating more high-skilled jobs, have also allowed low-skill, low-productivity workers to do jobs they were not previously able to do" (p. 16). The expansion of low-skilled jobs allows more workers to be absorbed by the economy. It does not guarantee that these workers will make living wages. As more workers are absorbed into low-skilled jobs, renewed efforts will be needed to reduce their risk of poverty and hardship through some combination of supply-side interventions (e.g. training and education), labor market regulations (e.g. minimum wage and comparable worth laws), and direct wage subsidies (e.g. through child allowances or an expanded Earned Income Tax Credit).

A second challenge is the expansion of supportive assistance for working but poor families. Despite new appropriations of federal funding, the rate at which poor families receive some forms of assistance, such as subsidized child care, remains very low, while participation in other programs -- including Medicaid and Food Stamps -- is actually dropping more rapidly than poverty. This suggests the need for greater investments in the "safety net" for poor workers. It also raises questions about the organization and delivery of assistance. Most direct assistance available to the working poor, from Food Stamps to housing, health insurance and child care, is still provided through traditional welfare offices – a system that is poorly equipped to serve the working poor (see e.g. Meyers

2000). As the "welfare poor" become the "working poor," new systems will be needed for delivering support.

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APPENDIX A: MEASURES

Well-being and Material Hardship

With regard to housing, respondents' conditions were coded as 'overcrowded' if there was fewer than one room per person in their home and 'poor quality' if there were serious deficiencies (either structural problems such as exposed electrical wiring, or functional problems such as the heat not working more than three times in the past year). Neighborhood conditions were measured by asking respondents to rate their neighborhoods in terms of overall quality and safety, and whether they had been victims of property or personal crimes. Measures of financial living conditions included experiences with hunger (whether there was a time that their children or themselves went hungry in the past year due to lack of money) and difficulty paying utility bills (if a payment was missed or late, or utilities were shut off, due to lack of money). Survey respondents also provided information about family health insurance coverage, currently and in the prior year.

Government Assistance

To measure the receipt of government assistance, survey respondents were asked whether they had received any assistance from a government agency or program on several dimensions of basic needs (housing, food, child care, health insurance). Assistance with food was coded if the family received Food Stamps in the past 12 months. For families with any children under 13, we measured receipt of government assistance with child care as either care obtained from a government program or receipt

of public vouchers or reimbursements. Housing assistance was coded as 'direct' if survey respondents reported living in a public housing project or received Section 8 assistance with rent, and 'indirect' if their residence was under rent control or rent stabilization. Finally, if survey respondents said that at least a portion of their own or their family's health insurance coverage was through Medicare, Medicaid, Child Health Plus, or some other public program, they were described as receiving government assistance with health insurance.

Because surveys typically underestimate receipt of government assistance, we compared our estimates for each of these forms of assistance to administrative data of public agencies. We used these data to evaluate survey estimates and, in some cases, impute assistance. Final estimates of program participation using the survey data were generally 80 percent or more of estimates based on administrative data.